

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 NSCE-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 IO-11 INRE-00 L-03

NSC-05 SS-15 STR-04 CEA-01 /086 R

DRAFTED BY ARA/ECP:WRFALKNER;BWL

APPROVED BY ARA/ECP:SHROGERS

ARA/CAR:DNORTON

TREAS:TLEDDY(PHONE)

EB/OMA:TMINNIES

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FM SECSTATE WASHDC

TO AMEMBASSY KINGSTON IMMEDIATE

C O N F I D E N T I A L STATE 063345

E.O. 11652: GDS

TAGS: EFIN, JM

SUBJECT: JAMAICAN ACCESS TO IMF FACILITIES

REF: KINGSTON 423

1. REFTEL REQUESTED DETAILS ON PURPORTED IMF RECOMMENDATIONS TO THE GOJ, INCLUDING POSSIBLE DEVALUATION, IN CONNECTION WITH PROTECTING JAMAICA'S FOREIGN RESERVE POSITION FROM FURTHER DECLINE. IMF HAS NOT RELEASED DETAILS OF ITS RECOMMENDATIONS.

2. ON MARCH 12 THE IMF BOARD VOTED TO APPROVE A JAMAICAN PURCHASE UNDER THE OIL FACILITY EQUIVALENT TO SDR 29.2 MILLION. THE BOARD'S ACTION CAME SUBSEQUENT TO A REQUEST BY FINMIN DAVID COORE ON MARCH 2 FOR THIS AMOUNT. COORE'S
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REQUEST CONTAINED A STATEMENT DESCRIBING THE GOJ'S NEW

ECONOMIC POLICIES, WHICH PARALLEL THE AGGREGATE DEMAND CONSTRAINT PROGRAM RECENTLY ANNOUNCED BY PRIME MINISTER MANLEY. WE BELIEVE THESE POLICIES GENERALLY ARE IN ACCORD WITH IMF VIEWS AND MAY HAVE BEEN FORMULATED WITH THEIR ADVICE. DEVALUATION, AT LEAST FOR THE PRESENT, DOES NOT APPEAR TO BE IN THE WORKS.

3. THE FUND IS OF THE OPINION THAT JAMAICA MAY BE

ELIGIBLE FOR THE COMPENSATORY FINANCING FACILITY LATER THIS YEAR, BASED ON DATA NOW BEING RECEIVED. RULES RELATING TO THIS FACILITY DO NOT REQUIRE THE REQUESTING COUNTRY TO DEVISE NEW, SPECIFIC ECONOMIC POLICIES. THE RATIONALE IS THAT AN EXPORT SHORTFALL MAY BE DUE TO EXOGENOUS FACTORS TEMPORARILY WORKING AGAINST THE REQUESTING COUNTRY.

4. WE ALSO BELIEVE JAMAICA MAY SUBSEQUENTLY REQUEST A FIRST CREDIT TRANCHE, PERHAPS THIS FALL. THIS WOULD REQUIRE ADDITIONAL CONSULTATIONS WITH THE FUND AND PERHAPS NEW ECONOMIC POLICIES, ALL OF WHICH PRESUMABLY WOULD BE PRECEDED BY A FUND MISSION TO THE ISLAND. HOWEVER, NO DISCUSSIONS IN THIS REGARD ARE UNDERWAY BETWEEN JAMAICA AND THE FUND AT PRESENT. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, FOREIGN EXCHANGE, DEVALUATIONS, INTERNATIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE063345
Document Source: CORE
Document Unique ID: 00
Drafter: WRFALKNER;BWL
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760098-1136
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760355/aaaabwke.tel
Line Count: 85
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 KINGSTON 423
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by ShawDG>; APPROVED <28 OCT 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: JAMAICAN ACCESS TO IMF FACILITIES
TAGS: EFIN, JM, IMF
To: KINGSTON
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006